



CALIFORNIA HIGH-SPEED RAIL AUTHORITY

October 2014

**Program Management Team Re-Procurement
Market Sounding**

Important Notice

The California High-Speed Rail Authority (Authority) will meet with the private sector in October 2014 to discuss the re-procurement of the Program Management Team contract and obtain market feedback to help inform the Authority's plans in this regard. These meetings are for information purposes only and are not part of a procurement process. Participation is voluntary and does not have any impact on a company's position vis-à-vis any future procurements. This presentation provides a high-level summary of California High-Speed Rail program, current project information and an overview of the Authority's potential approach to the re-procurement.

Questions related to these materials should be directed to:

Scott Jarvis

Scott.jarvis@hsr.ca.gov

(916) 403-2690

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Agenda

- Overview of the Program
 - Introduction to California High-Speed Rail Program
 - The California High-Speed Rail Authority
 - Program Status and Funding
 - Program Delivery and Objectives
- The Role of the Program Management Team (PMT)
 - Objectives and Overview
 - Levels of Support and Scope of Work
 - Compensation
 - Procurement Timeline and Evaluation
- Market Feedback

OVERVIEW OF THE PROGRAM

Introduction

California High-Speed Rail will:

- Connect the economies of Northern, Central and Southern California
- Travel between San Francisco and Los Angeles in under three hours
- Become a backbone of the State's transportation system
- Be operational beginning in 2022

The program is **overseen** by the California High-Speed Rail Authority (Authority) and is founded on a model that will rely heavily on partnering with the private sector.

Who We Are: California High-Speed Rail Authority

The Authority is the state agency responsible for the oversight, development and operations of high-speed rail in California.

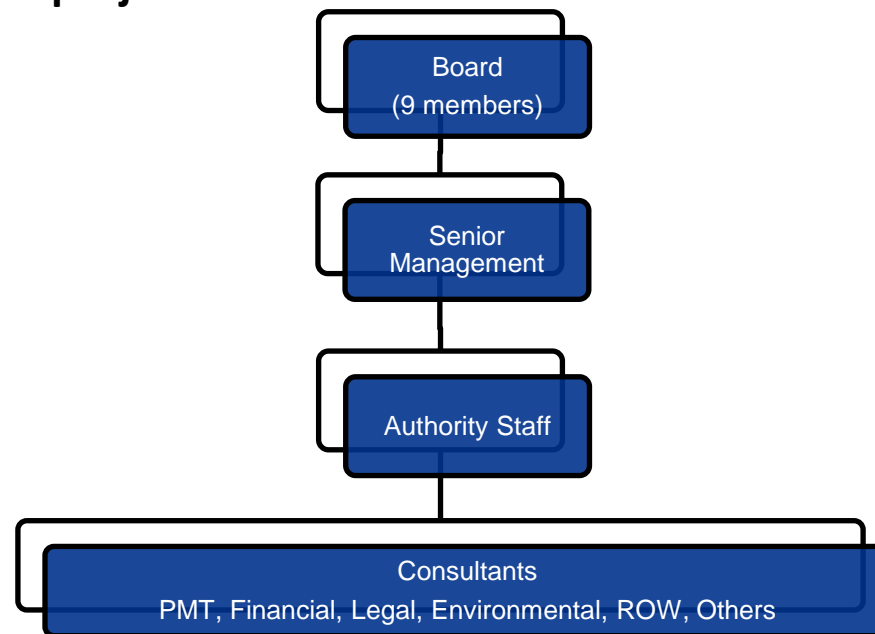
- The Authority is within the California State Transportation Agency
- The Authority has enabling legislation* to:
 - Enter into private sector contracts for the design, construction, and operation of high-speed trains (including public-private partnership structures)
 - Invest proceeds of \$9 billion in state bond proceeds in addition to new Cap-and-Trade funds
 - Issue debt secured by the pledge of state funds, federal grants, or project revenue
 - Enter into cooperative or joint development agreements with local governments or private entities
 - Set fares and train schedules

*State of California, Senate Bill 1420, Chaptered 1996

Who We Are: Organizational Structure

Authority's Structure is akin to a corporation

- The Authority is overseen by a nine-member Board of Directors appointed by the Governor and CA legislature
- Senior management team has been recruited from both the public and private sector
- 174 Authority staff supplemented by significant private sector resources specializing in program management, design/engineering, legal, and finance
- **Authority plans to remain a lean organization and will rely on the private sector to build and operate the project**



Program Status

Authority has achieved significant progress in last 24 months

- Expanded Authority management team under Governor's leadership
- Committed funding totaling over \$12 billion for capital costs
- 2014 Business Plan approved by Board and submitted to the Legislature
- First design-build contract, Construction Package 1, executed and work is underway
- Proposals for design-build contract, Construction Package 2-3, expected in Fall 2014
- Achieved environmental approval for Fresno to Bakersfield project section in Summer 2014; starting environmental approval process for Palmdale to Burbank corridor
- Secured Cap-and-Trade funding which:
 - Provides an annual, continuous appropriation of 25% of total auction proceeds
 - Enables the program to advance on multiple segments concurrently and to focus on segments and regional projects which will accelerate benefits

Program Funding: Overview

Authority has secured State and Federal funding for the Program

- \$12 billion in committed funding from State and Federal sources for capital costs
- Secured a long-term, continuous funding stream from auction proceeds from the California Cap-and-Trade program
- Potential program net cash flows have been projected by the Authority including ticket sales, ancillary sources, operating and maintenance costs and capital replacement. See 2012 and 2014 Business Plans on Authority website.

Funding Source	Amount
Federal Funds (ARRA and FY10)	\$3.3B
State Funds – Proposition 1A	\$9B
State Funds – Cap-and-Trade	\$650M in FY14 - FY16 + 25% of auction proceeds for FY16+

Program Delivery Model: Scope of Work Elements

The Authority is focused on delivering the following elements:

Caltrain Electrification

- Electrification and upgrade of corridor
- Possible extension

Rolling Stock

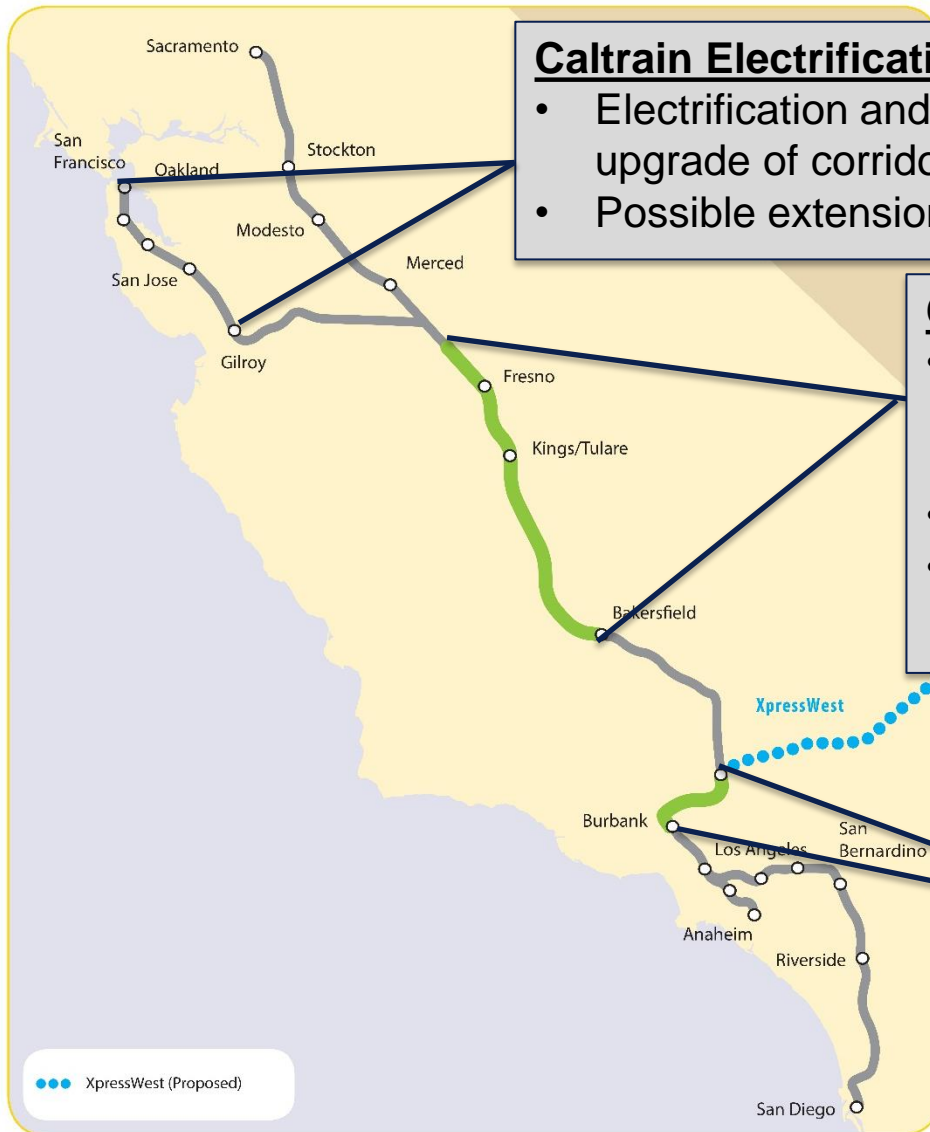
- 16 trainsets
- Heavy Maintenance Facility

Central Valley

- Infrastructure – Trackwork, Systems, Power and Substation
- Stations
- Support Facilities

Burbank to Palmdale

- Civil Works
- Infrastructure – Trackwork, Systems, Power and Substation
- Stations
- Support Facilities



Program Delivery Schedule: Key Milestones

The Program has significant future milestones to achieve operations by 2022:

- Obtain environmental clearance on three segments of the system:
 - Bakersfield to Palmdale
 - Palmdale to Burbank
 - Caltrain Corridor
- Acquisition of right-of-way along the corridor
- Procure and manage multiple civil construction projects in Northern, Central, and Southern California
- Procure track, systems, power, communications
- Procure an operator to oversee trainset interior design, testing, and commissioning
- Procure rolling stock

Program Delivery Model: Key Drivers for the Authority

The Authority is seeking a delivery model that will:

- Maximize value and minimize lifecycle costs
- Equitably transfer risk to provide certainty of cost and schedule
- Maximize economies of scale
- Maximize capture of private sector innovation to drive cost efficiencies
- Minimize interface risk retained by Authority
- Minimize contract administration by Authority
- Ensure a competitive bidding market for each contract package
- Maintain flexibility for future procurements
- Ensure systems interoperability and integration
- Ensure the maximum flexibility and benefit to the public from a future operating concession
- Attract long-term private investment

ROLE OF THE PMT

Key Drivers for the New PMT Contract

The Program is expected to undergo significant changes over the next five years:

- Transition from purely planning and environmental work to a phase of heavy construction, systems integration, and operations and maintenance
- Obtain specialized skill sets to face engineering and construction challenges, such as tunneling, high-speed rail systems and operations, and support of alternative delivery models (including public-private partnerships)
- The Authority will likely remain a lean organization and depend on consultants to manage program delivery

The Authority is seeking to reshape the new PMT:

- PMT to play a lead role in program management and program delivery
- Authority would like to enhance accountability of the PMT for program delivery and project execution through performance measurements
- Authority seeks to expand PMT capabilities to focus on future needs, such as program delivery, contract management, program and project integration, PMIS implementation and integration, oversight and management of project delivery consultants, high-speed rail systems, operations and maintenance, and alternative delivery models

Overview of the PMT Contract

PMT Scope Considerations

- General Overview
 - The PMT will be responsible for program administration, contract management, reporting and integration of the high-speed rail program, including but not limited to safety, cost, schedule, quality, right-of-way and regulatory reporting.
 - Historical PMT spend of ~\$5M per month
- Integrated Quality Management
 - The PMT will be responsible for implementing the Authority's core quality management objectives, such as:
 - Defined roles and responsibilities, documented processes and procedures, development and monitoring of key performance metrics, and identification and implementation of process improvement initiatives
 - Quality required for deliverables and reports associated with the U.S. Department of Transportation, Federal Rail Administration, the Grant/Cooperative Agreement and legislative reporting requirements

Overview of the PMT Contract (cont.)

PMT's Scope and Responsibility

- Annual Work Plan (AWP)
 - AWP's will be prepared collectively between the Authority and the PMT on an annual basis
 - AWP's provide a detailed description of the PMT's specific scope of work and required deliverables for a given year
 - AWP's will also include annual performance metric targets and an annual budgeted not-to-exceed amount
- Independence/Conflicts/Limitations
 - Selected PMT will be precluded from bidding on future high-speed rail work, which includes any work related to Caltrains Peninsula Corridor Electrification Project Design-Build contract

Functional Support Levels of the PMT

Description of each management area

- The PMT will be responsible for working closely and cooperatively with the Authority's executive leadership, financial consultants and local, state and federal agencies. In addition, the PMT will be responsible for managing project delivery consultants including, but not limited to, regional consultants, design consultants, right-of way consultants and environmental consultants.
- The Authority is currently considering the following management responsibilities:
 - **Executive Leadership:** The PMT will have an onsite team of executive level management personnel with recent relevant experience dedicated to providing the Authority with support of critical decisions regarding the program delivery approach, business case and/or master planning. The Executive Leadership team will also have direct accountability and oversight of all services and functions provided by the PMT.
 - **Specialized Technical Expertise:** The PMT will provide technical specialists with recent relevant experience to assist in critical program activities and systems. Areas with specialized technical expertise may include, but not be limited to; seismic tunneling, alternate delivery methods (PPP, CMGC, DBOM), high-speed rail systems (train control, signaling, PTC), PMIS integration, heavy maintenance, facility O&M

Functional Support Levels of the PMT (Cont.)

Description of each management area

- **Program Management (Corporate):** The PMT will have an on-site team to manage and provide oversight for the functional components of program management. The team should be aligned with their counterparts in the Authority and have relevant experience in managing their applicable program management function.
- **Program Delivery:** The PMT will have multiple on-site (for each project) teams of professionals dedicated to each of the functional areas of program delivery. These individuals will oversee and monitor the performance of associated work packages under their assigned disciplines.

Reference the PMT Support Level and Functional Area Matrix for additional details (see Appendix)

Accountability and Performance and for the New PMT

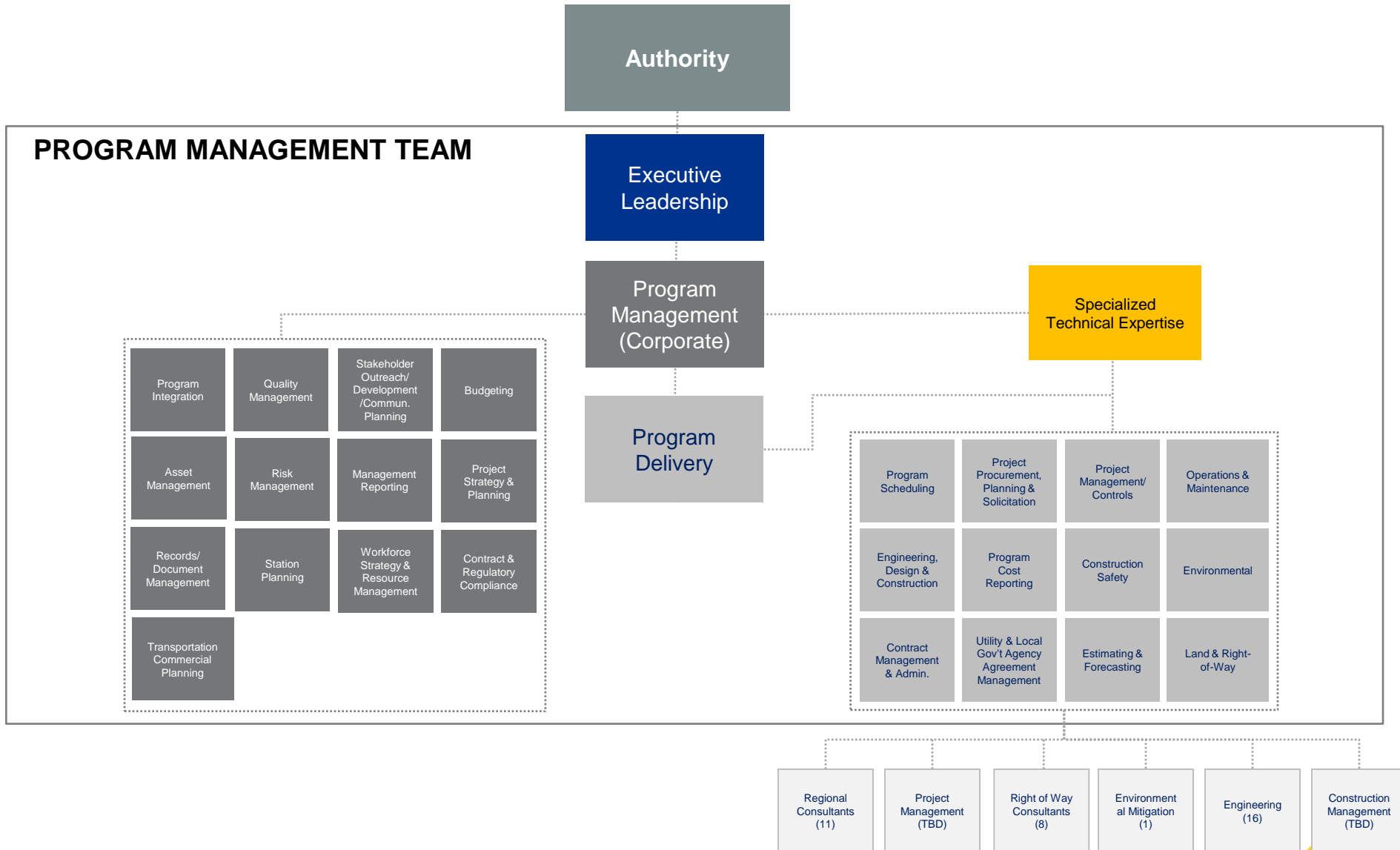
The new PMT contract will include enhanced accountability and performance measures:

- The Authority and the PMT will develop semi-annual or annual performance metrics in the AWP that track PMT performance in meeting program and project delivery targets
 - Metrics will be focused on costs, schedule, quality, safety and reporting
- A portion of the PMT's fees will be tied to meeting performance metrics
- PMT will be responsible for developing and implementing a Program Management Information System (PMIS) that will monitor and report on the program and also the performance metrics; Authority is establishing an internal QA/QC role that will monitor and validate the performance metrics and scoring
- PMT's performance will be scored annually, score will be used to determine portion of at-risk fees that will be paid
- PMT will be responsible for managing and overseeing other Authority contractors
 - New agreements and revised agreements with other consultants will incorporate performance metrics and compensation model that will align with the PMT metrics and compensation

Proposed Performance Compensation Structure

	PMT			
Service Type	Executive Leadership	Specific Technical Expertise	Program Management (Corporate)	Program Delivery
Base Comp	Cost + (x%) Base Fee			
Fee-at-Risk	(y)% Fee at Risk			
Comp Control	Performance metrics and targets set in Annual Work Plan Fee-at-Risk received is determined by performance against targets			

Potential PMT Structure w/Oversight of Other Consultants



Proposed Procurement Process and Timeline

The Authority intends to complete the re-procurement before expiration of the current PMT contract on June 30, 2015:

- Timeline: [Has been Revised]
 - ~~Issue RFQ in mid-December~~
 - ~~Hold One-on-One Meetings for Q&A in mid-January~~
 - ~~Proposals due in mid-February~~
 - ~~Selection is expected in mid-March~~
 - ~~Contract award in mid-April~~
- Transition between existing PMT and new PMT in ~~two months of May and June~~
- Selection based on Best-Value (weighting TBD)

PMT Re-Procurement: Feedback Requested

- How do you view the competitive landscape for this procurement – is there sufficient market capacity and interest? What are the competing priorities for firms like yours?
- Does the proposed role and approach interest your firm?
- Comment on the proposed procurement approach. Does the proposed timeline seem realistic? Does it provide you sufficient time to prepare a competitive proposal?
- Comment on the proposed evaluation criteria. What is the right balance?
- Does the proposed scope require teaming? What challenges, if any, does that present?
- Is the duration of the contract the right length?
- Describe your experience with fee-at-risk arrangements and performance monitoring.
 - What has worked well in your experience?
 - How would you recommend the Authority structure its approach?
 - Would you be willing to compete (in part) on the basis of the portion of fees at risk?

APPENDIX

PMT Support and Functional Area Matrix

Executive Leadership (Advice)						
PROGRAM MANAGEMENT (Corporate) SUPPORT LEVEL SERVICES		PROGRAM DELIVERY SUPPORT LEVEL SERVICES				
Specialized Technical Expertise						
Program Integration	Stakeholder Outreach/Development/ Communications Planning	Program Scheduling	Program Cost Reporting	Project Management/ Controls		
Asset Management	Management Reporting	Engineering, Design, & Construction	Construction Safety	Environmental		
Records/ Document Management	Workforce Strategy & Resource Management	Contract Management & Administration	Utility & Local Government Agency Agreement Management	Land and Right-of-Way		
Quality Management	Budgeting	Project Procurement Planning & Solicitation	Estimating & Forecasting	Operations & Maintenance		
Risk Management	Project Strategy & Planning	<div><div>LEGEND</div><div><div>Executive leadership providing the Authority with support in critical decisions and overall PMT accountability.</div><div>Specialized technical expertise with recent relevant experience to assist in critical program activities and systems.</div><div>Program level support from PMT includes the development of project management policies & procedures, tools, training, performance metrics & continuous improvement.</div><div>Project level execution responsibilities. PMT empowered/expected to make functional decisions on behalf of the Authority.</div></div></div>				
Station Planning	Contract & Regulatory Compliance					
Transportation Commercial Planning						

Functional Support Area Descriptions

Program Management (Corporate)

- **Program Integration** - Oversee and be responsible for coordination and compatibility between vendors, trades, and technologies for the program, including the development and implementation of a program wide Project Management Information System (PMIS) that integrates existing Authority systems and processes. This also includes resolving integration variances by performing cost-benefit analysis and leading efforts to plan and sequence roles and responsibilities for the program.
- **Stakeholder Development/Communications Planning** - Establish a strategy for stakeholder engagement including both internal and external stakeholders. Develop and administer a stakeholder development outreach communication plan that considers the potential impact or needs of each stakeholder in regards to communication.
- **Asset Management** - Identify and allocate resources for program planning and scheduling purposes. In addition, assist the Authority in establishing an asset management process for effectively managing the financial and accounting classification of assets.
- **Management Reporting** - Develop a management reporting plan and procedures that are aligned with the Authority's requirements. In addition, develop reporting templates for regular reporting at project, program and leadership levels.

Functional Support Area Descriptions (Cont.)

Program Management (Corporate)

- **Records/Document Management** – Develop control and retention policies to cover all elements of project documentation. In addition, regularly perform compliance audits of the document management system and support the Authority with their compliance of jurisdictional document requirements and standards.
- **Workforce Strategy & Resource Management** – Develop and maintain job descriptions as well as resource specific roles and responsibility analyses to ensure that all required functions are being sufficiently supported and by an appropriate skill set. Develop a staffing and resource management plan for all functional activities under management. In addition, implement recruiting, training and retention programs and processes.
- **Quality Management** – Develop and maintain program wide quality management awareness programs and corresponding processes, policy and procedures that align with the Authority's vision and requirements. In addition, perform ongoing monitoring activities, including quality audits.
- **Budgeting** – Develop and implement a cost management plan that supports the development of the entire program budget, including contingency calculations. In addition, track and generate regular management reports that include project forecasts, committed cost and estimated cost at completion.

Functional Support Area Descriptions (Cont.)

Program Management (Corporate)

- **Risk Management** – Establish risk management strategies, policies, procedures, and controls through the use of best practices. This includes monitoring/maintaining risk registers as new risk information is identified and establishing a standardized approach to risk reporting and escalation.
- **Project Strategy & Planning** – Review project set-up procedures and available documentation in order to identify, highlight and prioritize key program/project risks. In addition, assess project charter(s) for alignment with project requirements and develop responsibility matrices that define individual and functional responsibilities as well as cross-functional dependencies. This also includes establishing project priorities and coordinating the development of the capital program requirements for sustainable land use and planning.
- **Station Planning** – Manage the development and facilitation of land use policies at a statewide level for implementation at the local level. In addition, manage and support environmental planning and statewide integration with the rail modernization plan.
- **Contract & Regulatory Compliance** - Manage labor compliance, Community Benefits Agreement, and National Targeted Hiring Policy. In addition, oversee the small business program and Equal Opportunity Employer contractor compliance. Contract & regulatory compliance activities also include contract compliance audits and regulatory reporting.

Functional Support Area Descriptions (Cont.)

Program Management (Corporate)

- **Transportation Commercial Planning** – Support the Authority at the program level to assist in promoting progressive transportation and land use planning, strategies and principles. In addition, assist with making recommendations on station location, alignment choices, rail planning, early environmental considerations, sustainability and other planning areas.

Functional Support Area Descriptions (Cont.)

Program Delivery

- **Program Scheduling** – Implement a schedule management plan for the entire program. This includes, developing and maintaining an integrated master program schedule that incorporates individual projects. This also includes creating recovery schedules as necessary to address project/program delays.
- **Program Cost Reporting** – Develop project accounting policies and procedures that align with the Authority finance and accounting requirements. This includes monitoring program/project variances and escalating variances to the appropriate Authority personnel.
- **Project Management/Controls** – Implement project controls as needed to achieve the Authority program objectives and requirements. In addition, integrate the project controls with the project communications and information management systems to ensure required that the project information transfer is transparent, accurate and effective of controlling all project areas.
- **Engineering, Design & Construction** – Manage, monitor and oversee the planning, engineering and design phases of the program. This includes, ensuring that there is effective coordination between planning, engineering, design and construction phases of the project(s). This also includes coordinating, tracking and reconciling value engineering and constructability changes.

Functional Support Area Descriptions (Cont.)

Program Delivery

- **Construction Safety** – Develop a program wide Environmental, Health & Safety (EH&S) plan that includes policies and procedures as well as input and approval from key program/project stakeholders. Additionally, audit and monitor EH&S activities to ensure compliance with the EH&S plan.
- **Environmental** – Oversee, coordinate and support environmental approval functions for the program, including supporting permits and environmental clearances.
- **Contract Management and Administration** – Develop a contract management protocol and invoice/payment application review process that aligns with existing Authority processes. This also includes extracting key contractual requirements from applicable agreements for regular monitoring of PMT and Authority managed contract compliance.
- **Utility & Local Government Agency Management** – Review, confirm and approve requirements for local utilities and government agency interactions. This also includes developing a process for extracting, monitoring and managing specific contractual requirements by jurisdiction, entity, and responsible party.
- **Land & Right-of-Way** – Manage ROW engineering processes and requirements including management of all excess land. Additionally, generate permit agreements and route adoptions.

Functional Support Area Descriptions (Cont.)

Program Delivery

- **Project Procurement Planning & Solicitation** – Develop and administer a comprehensive Project Procurement Planning and Solicitation plan for the program that aligns with existing Authority requirements. This also includes supporting the procurement process, contract negotiations for key work packages, including assistance in identifying and selecting the most qualified vendors.
- **Estimating & Forecasting** – Generate and maintain program/project estimates and forecasts as required for effective management of the program. This includes, calculating cost variances for each control account and identifying and reporting on the cause of each variance. In addition, this includes determining the Estimate to Complete and Forecast for cost and schedule, respectively.
- **Operations & Maintenance** – Oversee, manage, develop and clearly define the operations, maintenance, safety/security and revenue/ridership attributes of the system. In addition, prepare comprehensive studies, maintenance estimates and operations plans for operations and service scenarios.